
OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2025



March 11, 2024

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 11, 2024

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2025*. The Office of Management and Budget (OMB) has prepared this report pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985.

As required by law, the Preview Report, the first of three required sequestration reports for 2025, summarizes the statutory discretionary spending limits for the current year (2024) and the budget year (2025). The report includes any adjustments required under current law, including for changes in concepts and definitions, if applicable. The report also discusses how the levels proposed in the President's 2025 Budget comply with the 2025 limits.

Sincerely,

A handwritten signature in black ink that reads "Shalanda D. Young". The signature is written in a cursive, flowing style.

Shalanda D. Young
Director

Enclosure

Identical Letter Sent to The Honorable Kamala Harris
and The Honorable Mike Johnson

I. INTRODUCTION

The Fiscal Responsibility Act of 2023 (FRA; Public Law 118-5) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) by reinstating limits on discretionary budget authority for fiscal years 2024 and 2025. Section 254 of BBEDCA requires OMB to issue a sequestration preview report with the President's Budget submission. This preview report, the first of the three required sequestration reports for 2025, provides the status of the discretionary limits for the current year (2024) and for the budget year (2025) as of the date of the President's 2025 Budget submission.

Due to the incomplete status of 2024 appropriations, this report is being released before OMB's final sequestration report for 2024. As a result, the 2024 limits noted in this report include revisions pursuant to section 251(d) of BBEDCA (as added by section 102 of the FRA), while the 2025 limits remain unchanged from the levels included in OMB's sequestration update report for 2024, which was released on August 18, 2023. This report describes how the President's Budget complies with the 2025 defense and non-defense limits.

OMB anticipates releasing its final sequestration report for 2024 once appropriations are completed after the Budget is transmitted. In August, OMB will issue a sequestration update report that will provide a mid-year status update on the limits and enacted appropriations, as well as a preview estimate of the 2025 adjustment for disaster funding. OMB will issue a final sequestration report for 2025 after the end of this congressional session that will contain final estimates of enacted appropriations and any adjustments to the discretionary limits. If it is determined that a limit is breached, that final report for 2025 will also include a Presidential Order to implement a sequestration of non-exempt discretionary accounts within either the revised security or revised nonsecurity category to eliminate the breach. As required by BBEDCA, OMB's estimates of discretionary appropriations for 2025 and the calculations in each 2025 sequestration report, including this preview report, are made using the same economic and technical assumptions underlying the President's 2025 Budget. In addition, each of these reports will include, where appropriate, comparisons between OMB's estimates and estimates from the Congressional Budget Office and an explanation of any differences between those estimates.

II. DISCRETIONARY SEQUESTRATION PREVIEW REPORT

Discretionary programs are funded through the annual appropriations process, which is largely governed by congressional procedures delineated in the Congressional Budget and Impoundment Control Act of 1974, as amended. However, both the Congress and the President have seen fit to add statutory spending limits (or “caps”) in BBEDCA as way to reach bipartisan agreement on levels of discretionary spending for a period of time. From 2012 through 2021, discretionary caps were in place following enactment of the Budget Control Act of 2011 (BCA; Public Law 112-25). These caps were subsequently revisited through multiple, bipartisan budget agreements that adjusted the caps for two years at a time before the limits ultimately expired after 2021.¹

The FRA follows a similar approach by amending BBEDCA to set new caps on the amount of new budget authority available for discretionary programs for fiscal years 2024 and 2025. When statutory caps are in place, OMB is required to provide regular reports on the status of the discretionary spending caps as the Congress works on the annual appropriations bills. Within seven working days of enactment of an appropriations bill, BBEDCA requires OMB to report its estimates of the enacted discretionary new budget authority. BBEDCA also requires OMB to issue reports three times during the year on the overall status of the discretionary caps, including this sequestration preview report. Appropriations that OMB estimates would exceed the current limits would trigger an across-the-board reduction (or sequestration) pursuant to section 251(a) of BBEDCA to eliminate the breach. As required by law, OMB’s estimates are based on the economic and technical assumptions used in the President’s 2025 Budget. The next sections discuss the funding levels and structure

of the current limits and proposed adjustments to those limits.

Current discretionary limits.—Section 251 of BBEDCA specifies two categories for discretionary funding. The revised security category includes only the discretionary programs in the defense budget function 050 (the “defense” category), which mainly consists of the Department of Defense and significant portions of agency budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised nonsecurity category consists of all discretionary programs not in the revised security category—essentially all non-defense (or non-050) budget functions (the “non-defense” category). Table 1 summarizes the caps enacted in the FRA that were included in the sequestration update report. The 2024 caps provide \$886.3 billion for defense and \$703.7 billion for non-defense, while the 2025 caps provide \$895.2 billion for defense and \$710.7 billion for non-defense.

Status of Current Year Caps.—Since the 2024 update report was issued, the 2024 caps have changed pursuant to section 251(d) of BBEDCA. Section 102 of the FRA amended section 251 of BBEDCA to set interim discretionary caps for 2024 in the event that any part of the Government was funded under a short-term continuing resolution on January 1, 2024. At the time the 2025 Budget was prepared, 2024 appropriations remained incomplete and the Government continues to operate under the Continuing Appropriations Act, 2024 (Division A of Public Law 118-15, as amended; “the 2024 CR”). As a result, the 2024 caps are adjusted to reflect revised levels specified in section 251(d) of BBEDCA (the so-called “cap shift”). The revised caps are determined by taking the “base” amounts for the defense category (\$858.4 billion) and the non-defense category (\$743.9 billion) included in CBO’s estimate of enacted 2023 appropriations that was published on its website² and reducing those levels by one percent each. The resulting caps are a reduced level of \$849.8 billion for the defense category and an increased level of \$736.4

¹ For more information on the structure of the BBEDCA spending caps enacted in the BCA and how they changed over time, see Table 1 of any of OMB’s discretionary sequestration reports to the President and the Congress for fiscal years 2012 through 2021 for this Administration and the prior Administration that are posted on OMB’s website (<https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>). For reports published during the Obama Administration, please see the following archive site (https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration).

² The relevant CBO report can be found here: https://www.cbo.gov/system/files/2022-12/HR-2617_div-A%E2%80%93N.pdf.

Table 1. DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW
(Budget authority in millions of dollars)

	2024	2025
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>		
2024 Sequestration Update Report Spending Limits	886,349	895,212
Defense adjustment pursuant to section 251(d) of BBEDCA	-36,574
2025 Sequestration Preview Report Spending Limits	849,775	895,212
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>		
2024 Sequestration Update Report Spending Limits	703,651	710,688
Non-Defense adjustment pursuant to section 251(d) of BBEDCA.....	+32,777
2025 Sequestration Preview Report Spending Limits	736,428	710,688
<u>TOTAL DISCRETIONARY FUNDING</u>		
2025 Update Report, Total Discretionary Spending	1,590,000	1,605,900
2025 Preview Report, Total Discretionary Spending	1,586,203	1,605,900

billion for the non-defense category, and these amounts along with the unchanged 2025 caps are included on Table 1. Once the Congress completes the enactment of full-year appropriations, the interim spending limits will revert back to the original levels in accordance with section 251(d)(3) of BBEDCA. BBEDCA requires OMB to release its final sequestration report for 2024 within 15 days of the enactment into law of annual appropriations or April 30, 2024, whichever is earlier³.

Section 251 of BBEDCA adjustments to discretionary limits.—As mentioned, the 2025 caps remain unchanged at \$895.2 billion for the defense category and \$710.7 billion for the non-defense category. The President’s 2025 Budget requests base appropriations for 2025 that are at these levels and this is displayed on Table 2. BBEDCA also permits a number of adjustments to the discretionary caps. Section 251(b)(1) allows adjustments for changes in concepts and definitions to be made in the preview report, which is transmitted with the President’s Budget, while section 251(b)(2) authorizes certain adjustments after the enactment of appropriations if

certain funding is designated in statute. At this time, there are no adjustments to the discretionary caps, however, Table 2 does show a number of proposed adjustments that are included in the President’s Budget and the next section summarizes each of these proposed adjustments.

Proposed section 251 of BBEDCA adjustments to discretionary limits.—Table 2 lists proposed adjustments for 2025 that are available under current law and included in the President’s 2025 Budget. These proposed adjustments are described in the text below. However, these are only proposed adjustments. The actual adjustments will be determined at the end of this session of the Congress based on appropriations enacted by the Congress and the Administration and will be reflected in OMB’s 2025 final sequestration report. The section 251(b)(2) proposed adjustments include:

Emergency Requirement and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) Appropriations.—Section 251(b)(2) (A) of BBEDCA authorizes adjustments to the caps for appropriations that are designated in statute by the Congress, and subsequently designated by the President, on an account by account basis, as emergency requirements or as OCO/GWOT. Currently, there are no anticipated adjustments for OCO/GWOT activities.

³ For more information on the 2024 limits and the FRA, see “Frequently Asked Questions Related to Fiscal Year 2024 Discretionary Spending Limits” memorandum on OMB’s website: <https://www.whitehouse.gov/wp-content/uploads/2024/01/OMB-Memo-to-Agencies-Frequently-Asked-Questions-Related-to-Fiscal-Year-2024-Discretionary-Spending-Limits-Updated.pdf>.

Table 2. 2025 BUDGET COMPLIANCE WITH 2025 SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	Budget Authority
<u>DEFENSE CATEGORY</u>	
Defense Base Appropriations in the 2025 Budget	895,212
Proposed Defense Adjustments:	
None
Total, Defense Discretionary	895,212
Sequestration Preview Report Defense Limit (including proposed adjustments)	895,212
2025 BUDGET OVER(+)/UNDER(-) DEFENSE LIMIT
<u>NON-DEFENSE CATEGORY</u>	
Non-Defense Base Appropriations in the 2025 Budget	710,688
Proposed Non-Defense Adjustments:	
Emergency requirements pursuant to section 251(b)(2)(A) of BBEDCA ¹	31,500
SSA Dedicated Program Integrity pursuant to section 251(b)(2)(B) of BBEDCA	1,630
HCFAC Program Integrity pursuant to section 251(b)(2)(C) of BBEDCA	630
Disaster Relief pursuant to section 251(b)(2)(D) of BBEDCA	23,200
RESEA Program Integrity pursuant to section 251(b)(2)(E) of BBEDCA	271
Wildfire Suppression pursuant to section 251(b)(2)(F) of BBEDCA	2,750
Subtotal, Proposed Non-Defense Adjustments	59,981
Total, Non-Defense Discretionary	770,669
Sequestration Preview Report Non-Defense Limit (including proposed adjustments)	770,669
2025 BUDGET OVER(+)/UNDER(-) NON-DEFENSE LIMIT
<u>TOTAL DISCRETIONARY SPENDING</u>	
Total, Discretionary in the 2025 Budget	1,665,881
Estimated Final Sequestration Report Total Category Limits	1,665,881
2025 BUDGET OVER(+)/UNDER(-) LIMITS
<u>Memorandum: Appropriations Counted Outside of Statutory Discretionary Budget Enforcement</u> ²	
21st Century Cures Appropriations	182
Harbor Maintenance Trust Fund Appropriations	1,726
Hazardous Substance Superfund Appropriations	2,174
Bipartisan Safer Communities Act Appropriations	695
Infrastructure Investment and Jobs Act Appropriations	66,115

¹ The proposed emergency requirements for the 2025 Budget includes \$23.2 billion that is considered “shifted base” as part of the FRA agreement to provide additional resources to non-defense programs above the 2025 limit.

² The appropriations summarized here are exempted from counting for purposes of statutory budget enforcement due to legislative language enacted in authorizing Acts that explicitly exempts these funds from being counted as such. Therefore, they are presented separately and are not included in the totals displayed above.

However, the President’s Budget includes a total of \$31.5 billion in funding for emergency requirements. The emergency requirements included in the 2025 Budget can be separated into four main areas:

- \$23.2 billion is requested as emergency requirements for funding that is considered “shifted base” by the Administration. The FRA agreement between the Administration and the Congress anticipated this level in emergency appropriations would be provided for a number of non-defense activities in 2025 that would supplement activities normally considered part of base appropriations. These funds are spread across multiple agencies and accounts that received similar funding in 2023 enacted appropriations.
- \$4.7 billion is requested for the Southwest Border Contingency Fund in the Department of Homeland Security to respond to migration surges.
- \$3.6 billion is requested for the Refugee and Entrant Assistance program in the Department of Health and Human Services to provide additional resources when there are unanticipated increases in the number of unaccompanied children or other humanitarian entrants.
- \$34 million is requested as a contingent emergency appropriation for the Special Supplemental Nutrition Program for Women, Infants, and Children for the Food and Nutrition Service at the Department of Agriculture for unexpected increases in participation and food package costs.

The total of these amounts is included as an adjustment to the non-defense category on Table 2.

Social Security Dedicated Program Integrity Activities.—Section 251(b)(2)(B) of BBEDCA authorizes cap adjustments for Social Security Administration (SSA) appropriations primarily for Continuing Disability Reviews (CDRs) and redeterminations. CDRs are periodic reevaluations conducted to determine if recipients of Social Security Disability Insurance benefits and Supplemental Security Income (SSI) for persons with disabilities still qualify for benefits. Redeterminations are periodic

reviews of non-medical factors of eligibility, such as income and resources, for the means-tested SSI program and generally result in a revision of an individual’s benefit level. SSA may also use cap adjustment funds for work CDRs, cooperative disability investigation units, and special attorneys for fraud prosecutions. The maximum cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$273 million is provided for these purposes in the underlying appropriations bill before the adjustment. The intent of this adjustment is to ensure sufficient resources for the Social Security Administration to maintain and improve program stewardship and achieve significant deficit savings in future years. The 2025 Budget provides the base funding level of \$273 million and proposes a cap adjustment of \$1,630 million that is equal to the level set by the FRA amendments for 2025. This amount is included on Table 2. The “Budget Process” chapter in the *Analytical Perspectives* volume of the Budget provides more information on this proposal.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of BBEDCA authorizes an adjustment to the caps by amounts appropriated for HCFAC activities, which include efforts to reduce the Medicare improper payment rate, support the Health Care Fraud Prevention and Enforcement Action Team initiative, and reduce the Medicaid improper payment rates. The maximum HCFAC cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$311 million for these purposes is provided in the underlying appropriations bill before the adjustment. The 2025 Budget provides the base level of \$311 million and proposes a cap adjustment of \$630 million that is equal to the level set by the FRA amendments for 2025. The amount is included on Table 2. The “Budget Process” chapter in the *Analytical Perspectives* volume of the Budget provides more information on this proposal.

Disaster Funding.—Section 251(b)(2)(D) of BBEDCA authorizes an adjustment to the caps for appropriations that are designated by the Congress as being for “disaster relief,” which is defined as activities carried out pursuant to a determination under section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C.

5122(2)). BBEDCA sets a limit for the adjustment that is determined annually by adding three pieces: (1) the total average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years); (2) five percent of the total discretionary amounts appropriated over the last ten years to address Stafford Act disasters that were designated as emergency requirements, net of any rescissions; and (3) the cumulative net unused carryover⁴ from any prior fiscal year since 2018.

For 2025, OMB estimates that the total adjustment available for the disaster adjustment is \$23.2 billion. This level is arrived at by assuming a 10-year average of \$13.6 billion, \$9.3 billion for 5 percent of Stafford Act emergency requirements, and carryover of \$0.3 billion. Since 2024 appropriations remain incomplete, OMB uses the \$20.1 billion in continuing appropriations provided by the 2024 CR for determining both the 10-year average and the carryover components of the formula. OMB also uses the \$15.5 billion for major disasters in the Federal Emergency Management Agency's (FEMA) Disaster Relief Program (DRF) provided in the 2024 CR as part of the total appropriations from which the 5 percent is calculated for the Stafford Act emergencies component of the formula. The 2024 CR level for disaster relief is \$0.3 billion lower than the \$20.4 billion total adjustment available for 2024 that was determined by OMB in its update report that was released on August 18, 2023. Although final appropriations for 2024 may provide the additional \$0.3 billion available for 2024, OMB must use the current law level at this time for purposes of its 2025 disaster ceiling estimate. OMB's estimate will be formally revised for any enacted changes, as appropriate, in its August 2024 sequestration update report for 2025.

The 2025 Budget requests \$22.7 billion in funding in FEMA's DRF and nearly \$0.5 billion for the Small Business Administration's Disaster Loans Program. The request covers the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events and the estimated annual cost of non-catastrophic events expected to obligate in

⁴ Per section 251(b)(2)(D)(III), unused carryover for a fiscal year is the sum of the amounts calculated for (1) and (2) above, less any enacted appropriations for that fiscal year that are designated as being for disaster relief.

2025. Consistent with past practice, the 2025 request level does not seek to pre-fund anticipated needs in other programs arising out of disasters that have yet to occur. If more information becomes available about the need to fund prior or future disasters, additional requests, in the form of either 2024 supplemental appropriation requests or further amendments to the Budget with appropriate emergency or disaster relief designations, may be transmitted. The current 2025 request is shown on Table 2 as an adjustment to the non-defense category. The "Disaster Relief Funding" section in the Budget Process chapter in the *Analytical Perspectives* volume of the Budget also provides a description of this adjustment.

Reemployment Services and Eligibility Assessments (RESEA).— Section 30206(c) of title II of the Bipartisan Budget Act of 2018 (BBA of 2018; Public Law 115-123) added section 251(b)(2)(E) to BBEDCA to create a cap adjustment for program integrity efforts for RESEA. Similar to the SSA dedicated program integrity and HCFAC cap adjustments, an adjustment is permitted up to a maximum amount specified in BBEDCA if the underlying appropriations bill first provides a base level of \$117 million for these activities. The 2025 Budget fully funds the base amount for this program and included the full cap adjustment enacted in the FRA amendments of \$271 million for 2025. This amount is included on Table 2. The "Budget Process" chapter in the *Analytical Perspectives* volume of the Budget provides more information on this proposal.

Wildfire Suppression Operations.— Division O of Public Law 115-141, as amended by section 7 of Public Law 116-6, the Stephen Sepp Wildfire Suppression Funding and Forest Management Activities Act, added section 251(b)(2)(F) to BBEDCA to create a cap adjustment for wildfire suppression activities to introduce greater funding certainty in times of wildfire disasters. BBEDCA permits this adjustment up to a maximum amount specified in the law if the underlying appropriations bill first funds a base level for these activities. The base level is defined as the average costs over ten years for wildfire suppression operations that was requested in the President's 2015 Budget for the Department of Agriculture's (USDA) Forest Service and the Department of the Interior (DOI). These amounts have been determined to be \$1,011 million for the USDA Forest Service and \$384

million for DOI. The 2025 Budget requests these base amounts for wildfire suppression and seeks the full \$2,750 million adjustment authorized in BBEDCA for 2025, with \$2,390 million included for the USDA Forest Service and \$360 million included for DOI. Providing the full level authorized in 2025 will ensure that adequate resources are available to fight wildland fires, protect communities, and safeguard human life during the most severe wildland fire season. For more information on this adjustment, see the “Wildfire Suppression Operations at the Departments of Agriculture and the Interior” section of the Budget Process chapter of the *Analytical Perspectives* volume of the Budget.

Note on exempted funds.—While most discretionary funding is either counted under the base BBEDCA caps or are adjustments to the caps pursuant to section 251(b)(2) of BBEDCA, there exist a number of discretionary appropriations that are neither counted towards the discretionary caps nor are the caps adjusted for these amounts due to statutory language enacted in authorizing Acts that explicitly exempts these funds from being counted for purposes of budget enforcement. The exempted amounts include appropriations provided in the Infrastructure Investments and Jobs Appropriations Act (division J of

Public Law 117-58), the Bipartisan Safer Communities Supplemental Appropriations Act, 2022 (division B of Public Law 117-159), and certain revenues made available for the Hazardous Substance Superfund by section 443(b) of the 2023 Interior and Environment Appropriations Act (division G of Public Law 117-328). These funds are exempted from counting for purposes of statutory budget enforcement pursuant to section 103 of the FRA. In addition, section 101 of the Water Resources Development Act of 2020 (division AA of Public Law 116-260) exempts from budget enforcement certain levels of appropriations from the Harbor Maintenance Trust Fund and appropriations designated in statute for section 2106(c) of Public Law 113-121. Finally, the 21st Century Cures Act (Public Law 114-255) directed that funds appropriated for certain activities cannot be counted for purposes of budget enforcement so long as the appropriations were specifically provided for certain authorized purposes and within the authorized amounts. As a result of these statutory exemptions, each of these amounts are displayed outside of the discretionary totals on Table 2 in the memorandum section.

